

STATEMENT
BEFORE THE
U.S. HOUSE
LABOR / HHS / ED APPROPRIATIONS SUBCOMMITTEE

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Good morning, Mr. Chairman, Congressman Obey, and members of the subcommittee. I am pleased to present to you the President's FY 2005 budget for the Department of Health and Human Services (HHS). I am confident you will find our budget to be a positive solution to improving the health, safety, and well being of our nation's citizens. Before I discuss the FY 2005 budget, I would like to thank the subcommittee for its hard work and dedication to the programs within HHS. I am extremely proud of the manner in which we have worked together effectively, in a bipartisan effort, since I was appointed Secretary. This cooperation should be lauded and the tremendous results for the American people can be seen in our many accomplishments.

This year's budget proposal builds upon past accomplishments in meeting several of the health and social well being goals established at the beginning of the current Administration. I deeply appreciate the level of support I have received from the subcommittee during the past on so many issues that have touched American's lives. For example, with your help, the Department has funded 614 new and expanded health centers. This has effectively increased access to health care for an additional 3 million people, of which 64 percent are minorities, increasing the overall number of patients served in health centers by 30 percent. In the past three years, your support for protecting our nation from bioterrorism has made the country better prepared and better protected.

Your unwavering commitment in doubling the budget for the National Institutes of Health has supported work by more than 217,000 research personnel affiliated with 2,000 universities, hospitals, and other research facilities across our great nation. This support has led to a constant flow of new scientific discoveries. We have also established the Access to Recovery State Vouchers program, providing 50,000 individuals with needed substance abuse treatment and recovery services. HHS initiated a new Mentoring Children of Prisoners program to provide one-to-one mentoring for approximately 30,000 children with an incarcerated parent and created education and training vouchers for foster care youth,

securing funding to provide vouchers of up to \$5,000 to 17,400 eligible youth since 2001. Last year, we worked together with Congress to pass the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), adding prescription drug coverage for seniors and modernizing the Medicare program. While I thank you for your support in these and the many other accomplishments to improve the health, safety, and well being of our citizens, there is still much to be done.

For FY 2005, the President proposes an HHS budget of \$580 billion in outlays to enable the Department to continue working with our State and local government partners, as well as with the private and volunteer sectors, to ensure the health, safety, and well being of our nation. This proposal is a \$32 billion increase in outlays over the comparable FY 2004 budget, or an increase of about 6 percent. The mandatory programs in the HHS budget total \$513 billion in outlays. Of this \$513 billion, Medicare and Medicaid combine to equal \$474 billion, an increase of approximately \$29 billion or 6.5 percent over FY 2004. The discretionary programs in the HHS budget totals \$67 billion in budget authority. Of this total, this subcommittee is responsible for approximately \$63 billion in budget authority, an increase of approximately \$659 million, or 1.1 percent over FY 2004.

For FY 2004 and 2005, the MMA appropriated \$1.0 billion in start-up funds so that the Centers for Medicare and Medicaid Services (CMS) would have funds available upon enactment to implement the enormous increase in new administrative responsibilities under the legislation. With rare exceptions, however, these administrative costs have typically been categorized in the budget as discretionary. Thus, this year the President's budget classifies the \$1 billion for CMS implementation of the MMA as discretionary.

In addition, the budget identifies approximately \$500 million in mandatory program savings for this subcommittee's consideration. These are four legislative proposals that I believe will lead to

increased cost effectiveness and reduced waste in the Medicare and Medicaid programs. First, allowing beneficiaries to purchase durable medical equipment after 13 months instead of 15 months is a lower burden for our beneficiaries and a savings for Medicare, and it will improve access to these products, while reducing rental payments. Second, requiring the Centers for Medicare and Medicaid Services (CMS) to use the Administration for Children and Family's (ACF) wage database will allow CMS to more quickly identify whether a beneficiary has employer-sponsored insurance and to determine whether Medicare should be the secondary payer, as opposed to the primary payer, to that other health coverage. Third, we are proposing to eliminate a windfall to the States by reducing Federal reimbursement for Medicaid administrative costs by \$300 million. Most states' TANF Block Grants were based on expenditures that included the costs of determining Medicaid eligibility, but they have also received Federal match for these expenditures through Medicaid since TANF's implementation. Our proposal seeks to eliminate this double payment for FY 2005. Finally, we are proposing to change the enhanced matching rates for administrative activities toward systems' improvements, consistent with other enhanced rates.

Expanding Access to Health Care for Americans

One of the most important issues on which we can continue to work together, is expanding access to quality health care for all Americans. In 2002, the President launched an initiative to expand access to health care by creating 1,200 new or expanded health care sites and serving an additional 6 million people by 2006. Since the initiative's inception, with the strong bi-partisan support of this subcommittee, the Health Centers program has significantly impacted more than 600 communities, serving over 13 million patients, which is 3 million more than in 2001, 40 percent of whom have no health insurance coverage, and many others for whom coverage is inadequate. In addition, States use Health Insurance Flexibility and Accountability (HIFA) demonstrations to expand health care coverage. As of January

2004, HIFA demonstrations expanded coverage to 175,000 people and another 646,000 were made eligible.

While we have made significant strides in this endeavor, there is still much work to be done. In FY 2005, the President's budget request will continue to expand resources for Health Centers to a level of \$1.8 billion, an increase of \$219 million over FY 2004. This increase will result in increased services for an additional 1.6 million people in approximately 330 new and expanded sites. This level will provide access to comprehensive preventative and primary care services, at over 3,800 health sites nationwide, for a total of almost 15 million uninsured and underserved individuals, nearly 7 million from rural areas.

Access to Recovery

Mr. Chairman, the FY 2005 budget represents the fourth year of the President's strong commitment in leading our nation's battle against addiction. With your support, we have made significant progress. Current use of illicit drugs among students has declined by 11 percent between 2001 and 2003. However, there continues to be an unmet need for drug treatment services. The FY 2005 budget will provide 100,000 individuals with drug and alcohol treatment benefits by doubling funding to \$200 million for the Access to Recovery State Voucher Program. This program will allow individuals seeking clinical treatment and recovery support services choices among qualified community provider organizations, including those that are faith-based. The program's emphasis is on objective results and is measured by outcomes, including decreased or no substance use, no involvement with the criminal justice system, attainment of employment or enrollment in school, family and living conditions, and social support.

Disease Detection and Bioterrorism Preparedness

In the past three years, your support for our bioterrorism efforts has been unwavering, and together we have made tremendous strides in protecting our nation from various threats. While we have made great

strides, it is imperative that we remain steadfast in our commitment to protect our nation and the well being of all its citizens. The FY 2005 request for HHS bioterrorism activities is \$4.1 billion, an increase of \$155 million above FY 2004, and \$3.8 billion above the FY 2001 level.

This work will be coordinated with the Global Disease Detection Initiative at CDC. The Global Disease Detection Initiative (+\$27.5 million) will help the United States learn more rapidly about new disease threats that emerge in other Nations. CDC will recognize infectious disease outbreaks abroad faster, and help those nations identify and stop those diseases before they arrive in the United States. In order to accomplish this task, CDC will expand its presence internationally and collaborate with multinational organizations, such as the World Health Organization (WHO) to improve overall global disease detection, control, and surveillance. CDC will also invest an additional \$10 million to expand quarantine efforts at ports-of-entry for international travelers.

Funds will be directed to carry out a new interagency bio-surveillance initiative to prepare against a potential bio-terrorist attack. The Centers for Disease Control and Prevention (CDC), in coordination with the Food and Drug Administration (FDA), the Department of Homeland Security, and the Department of Agriculture, will be working to improve the response to bioterrorism through early detection with the BioSense Surveillance Initiative. The goal of this program will be to develop new tools and procedures, which will allow us to identify potential disease outbreaks more rapidly.

We also continue our work in building the Strategic National Stockpile of drugs, vaccines and medical supplies that can be shipped anywhere in the country on short notice, with a request for \$400 million in FY 2005. The FY 2005 budget returns the financing of the stockpile to HHS. DHS will continue to have the authority to order deployment of the stockpile in an emergency, along with HHS. The FY 2005 budget includes a three-year financing plan of a little over \$300 million to expand our antibiotic stockpile

to be able to provide post-exposure anthrax treatment from 13 million to 60 million people. In FY 2005, we have included a contingency provision that will allow us to transfer up to \$70 million to the Stockpile from funds available for State and local preparedness, should the added funds be needed.

Our nation's ability to detect and counter bioterrorism ultimately depends on the state of biomedical science, and the National Institutes of Health (NIH) will continue to ensure full coordination of research activities with other Federal agencies in this battle. The FY 2005 budget includes \$1.74 billion for NIH biodefense research efforts, an increase of \$120 million, or +7.4 percent. Included within this biodefense total is \$150 million to support the construction of Biosafety laboratories for NIH to help develop medical protection from bioterrorism, and to back up State and Federal public health laboratories. Prior to FY 2002, only a few laboratories in the United States were capable of conducting research on potential bio-terrorism agents. The \$150 million investment in FY 2005 will fund an additional 20 Biosafety Level 3 laboratories across the country.

The ability to mitigate the health effects of radiation exposure in the potential event of the use of a limited nuclear or radiological device in a terrorist attack presents a critical challenge for which little progress has been made in the last forty years. For FY 2005, \$47 million is requested in the budget for the Public Health and Social Services Emergency Fund, to be coordinated and managed by NIH. This new initiative will support targeted research activities needed to develop medical countermeasures to more rapidly and effectively treat nuclear or radiological injuries.

Throughout my time as Secretary, many steps have been taken to allow for improved access to vaccines for those in need and better methods to combat the spread of influenza viruses. The Medicare reimbursement rate to physicians for the administration of the flu vaccine increased from \$3.98 per dose

in CY 2002, to \$7.72 in CY 2003, an increase of +94 percent. In FY 2004 and 2005, \$40 million per year will be used for creating a stockpile of children's influenza vaccine to ensure this past year's shortages do not reoccur. While these previous measures have improved access to vaccines, we must also look toward future improvements. It is imperative that the US develops the domestic capacity to produce rapidly the vaccine our nation would need in a pandemic. For that reason, the FY 2005 budget seeks to double to \$100 million our investment to ensure a year round production capacity for egg-based vaccines and development of production technologies that could be scaled up rapidly to provide surge capacity during a pandemic.

Childhood Vaccines

The Budget includes two legislative proposals in Vaccines for Children that I believe should be strongly supported by the members of this Subcommittee. This legislation would enable any child who is entitled to receive VFC vaccines to receive them at State and local public health clinics. There are hundreds of thousands of children who are entitled to VFC vaccines, but can receive them only at Community Health Centers and other Federally Qualified Health Centers. In the past, when these children went to a State or local public health clinic, they received vaccines you financed through discretionary appropriations to the CDC. However, as modern technology and research has generated new and better vaccines, that cost has risen dramatically. For example, when the pneumococcal conjugate vaccine became available, it increased the cost of vaccines to fully-immunize a child by about 80 percent. The most recent information indicates that 19 States are limiting access to this important vaccine; this legislation would help solve this access problem.

Legislation is also needed to restore tetanus and diphtheria vaccines to the VFC program. The VFC authorization caps prices at such a low level that no manufacturer will bid on a VFC contract. As a result, the vaccines that are provided to VFC children through the public health system have to be financed with

scarce discretionary resources. Enactment of the legislation the budget proposes would, at the same time, expand by \$55 million the vaccines that are available to children, while reducing by \$110 million the demand for vaccines financed with discretionary appropriations.

CDC will continue to build a six-month, vendor-managed stockpile of all routinely recommended childhood vaccines. Between FY 2004 and FY 2006, CDC will invest an additional \$583 million to meet target quantities needed for a six-month stockpile. Vaccines from the stockpile can be distributed in the event of a disease outbreak and will mitigate the effect of any potential manufacturing supply disruption.

Completion of the Doubling of NIH

I commend you, Mr. Chairman, Congressman Obey, and this subcommittee, for your commitment in doubling the budget for the National Institutes of Health, consistent with the President's request.

Building on the momentum generated by the fulfillment of the President's commitment to complete the five-year doubling of the NIH budget, the FY 2005 request provides \$28.8 billion for NIH. This is an increase of \$764 million, or +2.7 percent, over the FY 2004 level. In FY 2005, over \$24 billion of the funds requested for NIH will flow out to the extramural community, which supports work by more than 217,000 research personnel affiliated with 2,000 university, hospital, and other research facilities across our great nation. These funds will support a record total of nearly 40,000 research project grants in FY 2005, including an estimated 10,393 new and competing awards.

NIH remains the world's largest and most distinguished organization dedicated to maintaining and improving health through the use of medical science. Major advances in scientific knowledge, including the sequencing of the human genome, are opening dramatic new opportunities for biomedical research and providing the foundation for un-imagined results in preventing, treating, and curing disease and disability. Investment in biomedical research by NIH has driven these advances in health care and the

quality of life for all Americans, and the FY 2005 budget request seeks to capitalize on the resulting opportunities to improve the health of the nation.

In an effort to target gaps and opportunities that no single NIH institute could solve alone, the FY 2005 budget allocates \$237 million for the Roadmap for Medical Research initiative, an increase of \$109 million or +85 percent over FY 2004. This initiative consists of three core themes of establishing new pathways to discovery, inventing the research teams of the future, and re-engineering the clinical research enterprise.

Community and Faith Based Initiatives

In support of the President's Community and Faith Based Initiative, the FY 2005 budget maintains a commitment toward programs that link community and faith-based organizations with State, local governments, and Federal partners programs. The initiative creates results by empowering those at the community level, who can best identify the social and health related problems. Those at the community level can then act to produce positive results and be agents of change in the lives of the most needy.

The President's budget requests a total of \$100 million for the Compassion Capital Fund, doubling the FY 2004 level. Initiated in FY 2002, the Compassion Capital Fund awards grants to organizations which provide technical assistance to help faith-based and community organizations access funding sources, operate and manage their programs, develop and train staff, expand the reach of programs into the community, and replicate promising programs.

As our nation's prison population continues to rise, another important program that reaches our most vulnerable children is the Mentoring Children of Prisoners program. Studies indicate that children with incarcerated parents have a seven times greater chance of becoming incarcerated themselves and are more

likely to succumb to substance abuse, gangs, early childbearing, and delinquency. This budget request includes \$50 million, maintaining the FY 2004 level, to provide grants to enable public and private organizations to establish or expand projects that provide mentoring for children of incarcerated parents and those recently released from prison. This activity will give 30,000 adolescent children of prisoners a beacon of hope in their world of despair.

The President's budget includes \$10 million for Maternity Groups Homes as part of the Transitional Living program. This will provide pregnant and parenting youth who cannot live safely with their own families access to adult-supervised community-based group homes, and a range of coordinated services including childcare, job training, and counseling.

Head Start Program

One of the most fundamental truths in our society today is the necessity for a solid educational background to allow all children the opportunity to succeed. The initial educational experience is the bedrock of our children's healthy growth and development. Mr. Chairman, with the subcommittee's generous support, we have made a significant difference in this beginning stage of our children's growth and development. This commitment towards meeting the needs of our most vulnerable citizens is unwavering and remains stronger than ever with the 2005 President's budget request of \$6.9 billion for Head Start. This is an increase of \$169 million over the FY 2004 level. In FY 2005, 919,000 children will receive Head Start services including 62,000 children in the Early Head Start program.

In FY 2005, we will continue to emphasize the goals of the President's Good Start, Grow Smart Initiative to strengthen Head Start by partnering with States, by providing information on child development and early learning to teachers, caregivers, parents, and grandparents, and close the gap between research and practice in early education. The FY 2005 request includes \$45 million to support the President's initiative

to improve Head Start by funding nine State pilot projects coordinating State preschool programs, Federal child care grants, and Head Start into a comprehensive system of early childhood programs for low income children. The budget also includes \$124 million to maintain competitive salaries for Head Start teachers and to support program enhancements in early literacy and cognitive development.

Prevention Initiatives

More than 1.7 million Americans die of chronic diseases - such as heart disease, cancer, and diabetes – each year, accounting for 79 percent of all U.S. deaths. Although chronic diseases are among the most common and costly health problems, they are also among the most preventable. The budget includes \$915 million for CDC's Chronic Disease Prevention and Health Promotion program, an increase of \$62 million over FY 2004.

Within this request is \$125 million, an increase of \$81 million, for the Steps To A Healthier US Initiative. This increase will fund the State and community grant program initiated this past September to reduce the prevalence of diabetes, obesity, and asthma-related complications, targeting those at high risk. Last year these funds reached 23 communities, including seven large cities, one Tribal consortium, and 15 smaller cities and rural areas, and more areas will benefit during the upcoming year. Also a total of \$10 million will be used to expand the Diabetes Detection Initiative, which targets at-risk populations. The aim of this initiative is to reach these populations where they live, work, and play through a customized, tailored approach with the aim of identifying undiagnosed diabetes.

The FY 2005 budget request for the CDC National Breast and Cervical Cancer Early Detection Program (NBCCEDP) is \$220 million, an increase of \$10 million over FY 2004. This program has helped to increase mammography use by women aged 50 and older by 18 percent since the program's inception in

1991. Efforts are targeted toward low-income women with little or no health insurance and have helped to reduce disparities in screening for women from racial and ethnic minorities. With the requested increase, an additional 32,000 diagnostic and screening services will be provided to women who are hard-to-reach and have never been screened for these cancers.

Mental Health Treatment

In meeting the President's goal of transforming the mental health system and increasing access to mental health services for some of our most vulnerable citizens, the FY 2005 budget includes \$913 million for mental health services, an increase of \$51 million over FY 2004, or +6 percent. As an important step in reshaping this delivery system, the budget proposes \$44 million for State Incentive Grants for Transformation. These new grants will support the development of comprehensive State mental health plans to reduce system fragmentation and increase services available to people living with mental illness.

Recent studies have found that 20 percent of individuals experiencing chronic homelessness also have a serious mental illness. This request proposes \$10 million for the Samaritan Initiative, an Administration-wide initiative to reduce chronic homelessness, jointly administered with the Departments of Housing and Urban Development and Veterans Affairs. Through this initiative, States and localities will develop processes to better enable access to the full range of services that chronically homeless people need, including housing, outreach, and support services such as mental health services, substance abuse treatment, and primary health care.

Fighting HIV / AIDS

HIV is one of the most serious and destructive challenges facing humanity in our world today. No country, whether large or small, rich or poor, can escape the devastation it brings. All have citizens whose lives have been destroyed by this horrible disease, and our commitment to ending this pandemic is

both strong and unwavering. No nation in history has ever committed the time, energy, and fiscal resources that the United States has invested in this effort. The FY 2005 total HHS budget will continue this emphasis with the request for HIV/AIDS funding of \$15 billion, or +31 percent over FY 2001 for both domestic and global HIV/AIDS prevention, care, treatment, and research activities.

Specifically, the FY 2005 budget includes \$784 million for States to purchase medications for persons living with HIV/AIDS. At this level, monthly AIDS Drug Assistance Programs will increase from 93,800 clients in FY 2004 to 100,000 clients in FY 2005. Also included is \$53 million for the HIV/AIDS in Minority Communities activities, which reflects the first time the budget proposes an increase, to support innovative approaches to HIV/AIDS prevention and treatment in minority communities.

Marriage and Healthy Family Development

The President announced a new initiative to build on research that there are life-long benefits of growing up in married-parent families. This initiative, comprised of new and existing programs, has four elements: 1) supporting marriage and families; 2) providing tools to parents; 3) teaching values to children; and 4) encouraging community and faith-based organizations to support families.

Within this initiative is \$273 million to help parents and communities provide teens with the tools to make responsible choices and abstain from early sexual activity. The budget includes \$50 million to support a new program that will assist non-custodial fathers in becoming more involved in their children's lives, and \$107 million to double funding for State child abuse programs to reduce the incidence of child abuse and neglect and increase services to those who are victims.

Health Care Information Technology

Improvement in the safety, effectiveness and efficiency of health care, and in public health preparedness,

can be best achieved by the accelerated use of health information technology (IT). Therefore, the FY 2005 budget requests \$50 million in new funding for a Health Care IT initiative. This amount will fund a program of investments, which, in partnership with both the private sector and public programs, will accelerate the development, and utilization of modern IT in both health care and public health. These investments will assist development by the private sector of needed standards, examine ways the use of IT can be encouraged, coordinate actions across all agencies, and ensure that this investment will further the national health information infrastructure.

Using flexible funding mechanisms, these resources will be made available to local, regional, tribal and State data exchange networks and organizations, to provide the infrastructure necessary for exchange of a patient's health information within that area, and with other such organizations nationally. In addition, technical assistance and resources to these networks and information infrastructures will be available. These investments will complement and build upon the Agency for Healthcare Research and Quality's (AHRQ) demonstration grants and other activities to evaluate the effects of IT on the safety and quality of health care – a critical component of assuring that IT's positive benefits are adopted broadly.

Modernization and Reform Initiatives

With the enactment of Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Department faces many challenges in the coming fiscal year. A top priority for CMS, and all Operating Divisions within HHS, will be the timely implementation of the sweeping changes in the law. As the most significant reform of Medicare since its inception in 1965, the law expands health choices for beneficiaries and adds a prescription drug benefit. MMA will strengthen and improve Medicare, while providing beneficiaries with new benefits and the option of retaining their traditional coverage.

Along with Medicare reform, the President remains fully committed to strengthening and empowering America's families through legislation supporting welfare reform, modernization of Medicaid and SCHIP, increased child support enforcement, and reform of the child welfare system.

Management Improvements

Finally, I would like to update the sub-committee on the Department's efforts to use our resources and the taxpayer's dollars in the most efficient manner. To this end, HHS remains committed to setting measurable performance goals for all HHS programs and holding managers accountable for achieving results. I am pleased to report that HHS is making steady progress. We have made significant strides in streamlining and making performance reporting more relevant to both decision makers and customers. As a result, the Department is better able to use performance results to manage and to improve programs. By raising our standards of success, we will continue to improve efficiency and increase our ability to improve the health of every American citizen.

Improving the Health, Safety, and Well Being of Our Nation

Mr. Chairman and members of the subcommittee, I would like to once again thank you for your passion and support working with us in this fight to improve the health, safety, and well being of all Americans. The budget I bring before you contains proposals from many different areas. These programs, from enhancing the building blocks for our youngest and most vulnerable with Head Start, to expanding Health Centers to increase the access to quality health care for minorities, to protecting our nation from the threat of bio-terrorism, all meet vital needs within our communities. All of these proposals, which vary greatly in substance, are put forth with one simple overarching goal of ensuring the health, safety, and well being of all Americans. I know that this goal is one that we share together, and I look forward to your

continued support as we move toward turning our passionate commitment into positive results for the American people.